

**QUONSET DEVELOPMENT CORPORATION**  
**MEETING OF BOARD OF DIRECTORS**

**March 21, 2011**

**EXECUTIVE SESSION MINUTES**

**A meeting of the Board of Directors of the Quonset Development Corporation (the “Corporation”) was held at 5:00 p.m. on Monday, March 21, 2011, at the offices of the Corporation located at 95 Cripe Street, North Kingstown, Rhode Island, pursuant to notice to all members of the Board of Directors and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.**

**The following members constituting a quorum were present and participated throughout the meeting as indicated: James D. Berson, Robert H. Breslin, Jr., Kas R. DeCarvalho, Barbara Jackson, John G. Laramée, Richard Pastore, James Rugh, and John G. Simpson. Absent were: John A. Patterson and Keith Stokes. Also present were: Steven J. King, P.E., Managing Director; Kevin M. Barry, Finance Director; E. Jerome Batty, Secretary; members of the Corporation’s staff.**

**1. CALL TO ORDER:**

**The Executive Session was called to order at 5:35 p.m. by Vice Chairman Simpson.**

**Prior to adjournment to Executive Session, the Board:**

**VOTED: To adjourn to Executive Session pursuant to Subsection (5) – (Acquisition or Lease of Real Estate for Public Purposes or Disposition of Publicly held Property), Subsection (6) – (Location of Perspective Businesses in Rhode Island) and Subsection (7)- (Investment of Public Funds) of the RIGL §42-46-5(a) (the “Open Meetings Law”).**

**Voting in favor were: James D. Berson, Robert H. Breslin,Jr., Kas R. DeCarvalho, Barbara Jackson, John G. Laramee, Richard L. Pastore, James Rugh and John G. Simpson.**

**Voting Against were: None**

**Unanimously Approved.**

**Mr. Batty noted for the record that Corporation Staff, Mr. Lavallee of CB Richard Ellis and Mr. Preston of New Harbor Group were the only persons in attendance for the executive session outside of the Quonset Development Corporation Board of Directors.**

**2. PORT OF DAVISVILLE OVERVIEW:**

**Mr. King explained that the biggest operation at the Davisville Port is the auto import business (Ro-Ro Importation) with almost one hundred and thirty five thousand (135,000) autos delivered by ship in 2010. Also operating out of the Port is Seafreeze, a seafood packaging company producing ten thousand to fifteen thousand metric tons of seafood annually, and the port is the homeport for NOAA vessels.**

**Mr. King then reviewed current Port conditions:**

- Laydown area is 31.3 acres**
- Ship berths consist of 4500 linear feet**
- Channel depth is roughly 29 feet (NOAA chart 13223)**
- Berth Utilization was 20% in 2010**
- Auto dwell time was 5 to 7 days in 2010**
- Ranked #8 Auto Port in America**
- \$119 million in annual business output (source FXM Associates. 2008 Study)**
- 1,105 direct, indirect, & induced jobs (source FXM Associates. 2008 Study)**
- Generates \$42.6 million in household income (source FXM Associates. 2008 Study)**
- Generates \$4 million in state taxes, \$5 million in local taxes (source FXM Associates. 2008 Study).**

**Mr. King also noted that the Port of Davisville has experienced**

enormous growth in auto imports; up 52% since 2006 and is anticipated to continue to grow by a rate of 3.9% annually.

The Port of Davisville currently proclaims its draft at minus 29 feet; however, there are areas that do not meet that requirement. Mr. King reported the Corporation has been contacted by several ship captains concerned about safely bringing their ships into dock at Quonset. Additionally, a recent study by Moffitt and Nichol, found that the majority of auto carriers require a draft minus 32 feet confirming there is a significant need to dredge to accommodate the influx of ships.

Mr. King reviewed the areas of greatest need and anticipated that the cost of the dredging at \$7 million. However, sampling results will ultimately determine disposal methods and affect final costs. Mr. King continued to explain that due to a general lack of funding, the Corporation will be requesting a 15 year state revenue bond from the EDC to fund the improvements. Mr. King explained that the Corporation will pay for the bond with revenue from new leases and some increased rates at the Port.

Mr. King noted that depending on legislative approval for the bond, dredging could begin in October 2012. Mr. King noted that there is a significant economic impact on the Port of Davisville if this dredging is not completed; including the possibility of \$2 million in lost revenue and 1100 lost jobs.

### **3. INFRASTRUCTURE IMPROVEMENTS:**

**Mr. King, in light of the TIGER Grant infrastructure improvements at the Port, asked marine engineering firm, Moffitt & Nichols to develop a Terminal Master Plan to assess the integration impact of potential port users, specifically, they looked at how offshore wind industry, container handling, and construction staging might affect current port activities. The parameters for the plan included:**

- Auto dwell time not less than 4 days (undue economic impact on auto importers to shorten dwell time)**
- Berth occupancy must remain at 40% or less.**

**Moffitt & Nichols came up with 9 scenarios that considered the following:**

- Base scenario accommodating future auto growth**
- Different combinations of auto, offshore wind and container port scenarios**
- Storage area requirements and berthing needs compared with QDC's available laydown areas and berthing space.**

**Moffitt & Nichols found that based on growth expectations (316,390 automobiles by the year 2020) the Automobile import industry is the best use of the port but increase business will require the dedicated use of Terminal 4. In addition, they determined that the Offshore**

**Wind industry, even in the best scenario, could only produce 1 to 2 turbines a week and would also require the use of a dedicated berth. Finally, the container industry would be limited to 20,000 TEUs and would also require the use of a dedicated berth. In no scenario did all three industries work at once.**

**Mr. King advised the Board that DeepWater Wind (“DWW”) who currently has an option agreement on 11 acres at the Davisville waterfront, would need 18 -19 more acres of land, and would likely need a new wharf to accommodate the offshore wind company’s use of the Port of Davisville for their wind turbine project. The cost of building such a wharf is estimated at \$75 – \$100 million and would have to be privately funded.**

**Mr. King reminded the Board that DWW was given a 3 year option to lease that is renewed annually based on DWW meeting certain preset milestones. Mr. King pointed out that in June 2010, the Board voted to give DWW an extension to meet those milestones and renewed their option for another year without meeting those requirements.**

**Mr. King advised the Board that DWW has not met the milestones and this should be considered before the option is renewed for another year especially given the funding that would be required to make an offshore wind facility feasible at Quonset.**

**Mr. King reviewed the draft Assessment of the New England Marine Cargo Market and Implications for Rhode Island Port Development**

prepared by Martin Associates for a special legislative commission studying ports in Rhode Island. Mr. King advised that the assessment had not yet been released to the public. Martin Associates found the following:

- Auto units could grow
  - 200,000 units to 300,000 units (good possibility)
- Water depth could become an issue
  - federal funding would impose Harbor Maintenance Tax,
  - erodes competitive advantage of auto port
- Possible container barge feeder operations
  - 24,000 TEUs (will require significant reduction in barge rate/stevedoring charges and a Ro/Ro operation)
- Wind energy 130 units
  - great uncertainty should include significant infrastructure investment by private sector. State should not invest until private sector commitment.

Mr. King noted the similarities between this study and the findings of Moffitt & Nichols.

There being no further business to come before the Board, upon motion duly made by Mr. Berson and seconded by Mr. Laramee, the Executive session was adjourned at 6:44 p.m.

**Respectfully submitted:**

**By:** \_\_\_\_\_

**E. Jerome Batty, Secretary**